

# House Study Bill 272

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON SHOMSHOR)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act excluding from the computation of net income capital gains  
2 realized from the sale of all or substantially all of the  
3 equity interests in certain businesses and including a  
4 retroactive applicability date provision.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 2341HC 83  
7 tw/mg:sc/5

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1 1 Section 1. Section 422.7, subsection 21, paragraph a,  
1 2 subparagraph (1), Code 2009, is amended to read as follows:  
1 3 (1) (a) Net capital gain from the sale of real property  
1 4 used in a business, in which the taxpayer materially  
1 5 participated for ten years, as defined in section 469(h) of  
1 6 the Internal Revenue Code, and which has been held for a  
1 7 minimum of ten years, or from the sale of a business, as  
1 8 defined in section 423.1, in which the taxpayer materially  
1 9 participated for ten years, as defined in section 469(h) of  
1 10 the Internal Revenue Code, and which has been held for a  
1 11 minimum of ten years. The sale of a business means the sale  
1 12 of all or substantially all of the tangible personal property,  
1 13 intangible property, or service of the business. "Sale of a  
1 14 business" includes the sale of all or substantially all of the  
1 15 stock or equity interests in the business, whether the  
1 16 business is held as a proprietorship, corporation,  
1 17 partnership, joint venture, trust, limited liability company,  
1 18 or another business entity.

1 19 (b) However, where If the business is sold to individuals  
1 20 who are all lineal descendants of the taxpayer, the taxpayer  
1 21 does not have to have materially participated in the business  
1 22 in order for the net capital gain from the sale to be excluded  
1 23 from taxation.

1 24 (c) However, in In lieu of the net capital gain deduction  
1 25 in this paragraph and paragraphs "b", "c", and "d", where if  
1 26 the business is sold to individuals who are all lineal  
1 27 descendants of the taxpayer, the amount of capital gain from  
1 28 each capital asset may be subtracted in determining net  
1 29 income.

1 30 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies  
1 31 retroactively to January 1, 2009, for tax years beginning on  
1 32 or after that date.

1 33 EXPLANATION

1 34 This bill relates to the taxation of capital gains on the  
1 35 sale of assets held in a business.

2 1 Current law provides an exclusion from the computation of  
2 2 net income for any capital gains realized from the sale of all  
2 3 or substantially all of the tangible personal property or  
2 4 service of a business if the taxpayer materially participated  
2 5 in the business and held the assets for at least 10 years.  
2 6 This exclusion, however, does not extend to the sale of stock  
2 7 or other equity interests in the business. The bill applies  
2 8 the exclusion to the sale of intangible property of the  
2 9 business, including stock or other equity interests in the  
2 10 business.

2 11 The bill applies retroactively to January 1, 2009, for tax  
2 12 years beginning on or after that date.

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